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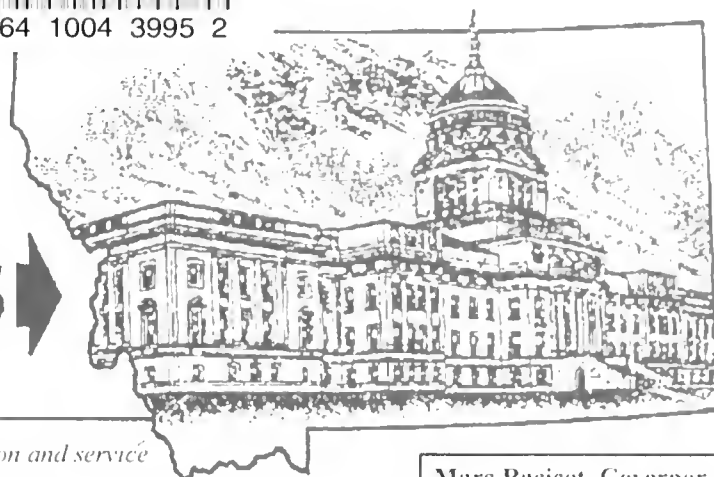
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Public Employee  
Retirement Administration

MPERA



JUNE 2000



The MPERA will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.

## Retirement Plan Option For *PERS*

### Defined Contribution (DC) Plan

The September 1999 Directions newsletter provided a glimpse at the new optional retirement plan for members of the Public Employees' Retirement System (PERS). This new optional PERS retirement plan will be a Defined Contribution (DC) plan. The current PERS retirement plan is a Defined Benefit (DB) plan.

#### Defined Benefit (DB) Plan

A Defined Benefit (DB) plan guarantees a specified retirement benefit based on a percentage of your highest average salary and your years of service credit. A formula –  $1/56 \times \text{years of service credit} \times \text{highest average salary}$  – is used to calculate your monthly benefit. When eligible, your monthly benefit will be increased each year by a Guaranteed Annual Benefit Adjustment. Your monthly benefit will be paid to you for your lifetime.

In a DB plan, the retirement system bears the risk when it guarantees your lifetime retirement benefit.

All retirement systems currently administered by the MPERA are Defined Benefit (DB) plans.

#### Defined Contribution (DC) Plan

In a Defined Contribution (DC) plan, the contributions into the plan are known; the benefit is not. A DC plan establishes individual member accounts and offers a variety of investment options. Members direct their (and a portion of the employers') monthly contributions to investment options selected from those offered by the plan. The retirement benefit received is based upon the account balance – contributions plus investment earnings, less administrative costs.

In a DC plan, members bear the risk that their investment and accumulated account balance will be sufficient for lifetime retirement.

*(Retirement Plan Option Continued on Page 2)*

Marc Racicot, Governor

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Retirement Board

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(MPERA).

Should any information in this newsletter conflict with statutes or rules, the statutes or rules will apply.

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(Retirement Plan Option Continued)

### **Implementation of the DC Plan**

The Defined Contribution (DC) retirement plan's start date is no later than July 1, 2002. Prior to that date, all active PERS members will be asked to make an **irrevocable** retirement plan choice; DB or DC.

The MPERA is working on the necessary components and systems needed for the new DC retirement plan option. The Public Employees' Retirement Board (seven members), the Employee Investment Advisory Council (13 members) and William M. Mercer, Inc., the Board's consultant, are providing assistance and guidance to the MPERA on this project.

### **Request for Proposal (RFP)**

The first step in implementing the new optional DC retirement plan was the release of a RFP on December 30, 1999, for the following services:

- ◇ **Investment options.** These options will include 16 mutual funds and one "fixed/guarantee income" option;

*Active PERS members will be asked to make an irrevocable retirement plan choice; DB or DC.*

- ◇ **Administration and recordkeeping.** This service is necessary to establish and track the individual member accounts, the investments selected within each account and the earnings/losses on the investments; and

- ◇ **Education.** This service is necessary to help PERS members make an informed choice between the DB and DC plans and, if choosing the DC plan, informed investment decisions.

On March 2, 2000, the following proposals were received:

- ⇒ 114 investment option proposals from 17 different providers;
- ⇒ four administration and recordkeeping proposals from four different providers; and
- ⇒ two education proposals from two different providers.

Evaluation of these proposals is underway. The target date to complete the evaluation and select providers is August 1, 2000. After service vendors are selected, the MPERA will begin work on necessary systems and interfaces with the selected vendors.

## **Deferred Compensation Plan** (for State and University System employees only)

### **Administrative Providers Update**

Administrative, recordkeeping and educational services for the deferred compensation plan are *contracted* services. All contracted services are subject to State procurement laws which require periodic re-bidding of services. Three years ago – in 1996, effective April 1997 – these services were bid. A five-year contract was awarded to Great-West Life and Annuity Insurance Company. The contract with Great-West will end April 1, 2002.

The Request for Proposal released for defined contribution (DC) plan services also requested proposals for deferred compensation plan services. Please see the article above. This was done because: 1) the services needed for the DC plan and the deferred compensation plan are the same; and 2) deferred compensation plan contracts end at the same time the DC plan starts. The submitted proposals are being reviewed to see if cost-savings or other efficiencies are achieved by combining the DC plan and deferred compensation plan services and contracts. The re-bidding of the administrative, recordkeeping and educational services **does not** affect the investment options offered in the deferred compensation plan.

Please be watching for updates on the RFP process.

## Annual Statements Will be mailed in August

You will receive your Defined Benefit Plan Annual Statement in August. This year's statement has a new look. It is designed to provide complete information on your retirement benefit in an easy-to-understand format. Your statement will include a side-by-side comparison of contributions to show the present and future value of your retirement benefit. The projected benefit payment, based on certain assumptions, is calculated to assist you with your retirement planning.

Your current address and other personal information may also appear on the statement. Please carefully review this information and notify us **in writing** of any changes. **It is important that you provide us with your current mailing address** if it is different than it appears on the statement or if you receive your statement from your payroll clerk rather than at your home address.

The goal of the MPERA is to begin mailing personal statements, newsletters, and other important information to your home address. We will be updating our database to include home addresses for all members. (Your statement will provide information on making an address change.)

## Deferred Compensation Plan

Annual Fund Evaluation (applies to State and University System Employees)

The Employee Investment Advisory Council (EIAC) and the Public Employees' Retirement Board (PERB) have completed their annual evaluation of mutual fund options for the State deferred compensation plan. The annual fund evaluation ensures that the mutual funds offered in the plan meet established performance standards. Funds falling below the established performance standards are typically put in a "watch" status for a year. If their performance does not improve within that year, they may be discontinued the next year.

Based on their performance, and falling below standards, the following funds were discontinued on May 1:

- ◊ Templeton Global Small Company (global fund),
- ◊ Strong Schafer (mid-cap value fund), and
- ◊ PBHG Emerging Growth (small cap growth fund)

The following better-performing funds were added on June 1:

- ◊ Janus Enterprise (mid-cap growth fund),
- ◊ Strong Opportunity (mid-cap value fund), and
- ◊ RS Diversified Growth (small-cap growth fund)

Along with the fund evaluation, the

EIAC and PERB reviewed the administrative fees charged by Great-West Life and Annuity Insurance Company, the plan's administrative and recordkeeping service provider.

This review has resulted in a **decrease** in the fees paid by plan participants beginning with the quarter ending June 30, 2000. The fixed flat dollar fee, currently \$10 per year, will

decrease to \$5 per year or \$1.25 per quarter. The asset-based fee (fee charged based on account balance) will decrease by .05%, with an annual fee cap of \$300.

Full information on fund performance and the **decrease** in fees has been sent to all deferred compensation plan participants' home addresses. If you did not receive this mailing, please contact the MPERA.

*Decrease in fees  
for deferred compensation plan  
participants.*

### When calling the MPERA —

When calling our office, be sure to have your social security number handy. If it is necessary to leave a message on voice mail, please state your name and phone number first, then a message summarizing your inquiry.



Phone 406-444-3154  
Toll Free 877-275-7372

35,000 copies of this public document were published at an estimated cost of 10¢ per copy for a total cost of \$3,500.00, which includes \$3,500.00 for printing and \$0.00 for distribution.

## New Member Handbooks Distributed ... for PERS, SRS, GWPORS & JRS

If you are a member of the Public Employees' (PERS); Sheriff's (SRS); Game Wardens' and Peace Officers' (GWPORS); or Judges' Retirement System (JRS) you should have recently received an updated member handbook. Member handbooks, reflecting changes in the 1999 law for these retirement systems, have been updated and forwarded to payroll clerks for distribution. If you have not received your 2000 Member Handbook, contact your payroll clerk or the MPERA to request one.

Members of the Municipal Police Officers' (MPORS); Highway Patrol Officers' (HPORS); and Firefighters' Unified Retirement Systems (FURS); and the Volunteer Firefighters' Compensation Act (VFCA) should receive updated member handbooks by the end of the year.

### Announcing our name change . . .

You may have noticed our name change on the front page. The **Montana Public Employee Retirement Administration (MPERA)** is the name selected to identify the Public Employees' Retirement Board (PERB) staff. The MPERA welcomes the opportunity to serve our members. Listed below is a directory of primary contacts, and information for your convenience in contacting our office.

**MPERA** Phone: 406-444-3154  
**1712 9TH AVENUE** Toll Free: 877-275-7372  
**PO BOX 200131** Telefax: 406-444-5428  
**HELENA MT 59620-0131** E-mail: [perb@state.mt.us](mailto:perb@state.mt.us)

Questions?  
Just contact  
the MPERA!

Web Site: <http://www.state.mt.us/doa/perb/perb.htm>

#### DIRECTORY OF MPERA CONTACTS:

##### *Benefit Questions:*

Bernie ..... 444-3953  
 Carrie ..... 444-5460  
 Kathy H. .... 444-3978  
 Marjorie ..... 444-5454

##### *Disability Benefit Questions:*

Ian ..... 444-5444

##### *Family Law Orders:*

Lucie ..... 444-7939

##### *Payroll and/or Account Balances:*

Mary ..... 444-5458  
 Jere ..... 444-3147  
 Leanne ..... 444-5452

##### *Refund Information:*

Doreen ..... 444-2953

##### *DC Plans:*

Kathy S. .... 444-2996

## Purchase of Service Tax-Deferred Payments

Active members may purchase optional service with tax-deferred payroll deductions. This means a tax savings for members who buy service on installment contracts. You must sign and file a Payroll Deduction Authorization form to take advantage of this tax savings. Listed below are some of the restrictions:

- You must sign an irrevocable agreement.
- The agreement may not be terminated except by death or termination of employment.
- The payment schedules cannot be less than three months.
- The payment schedules cannot exceed 60 months (five years).

The Internal Revenue Service (IRS) ruling allowing the MPERA to implement the purchase of service with tax-deferred payroll deductions was received in December. Active members who had contracts were notified of this provision at that time.

For more information about purchasing service or initiating a service purchase contract, contact the MPERA **in writing**. When writing to request a cost statement, please provide the following information: your full name (including any former names); a current address; social security number; and the type of service you wish to buy.



## Think Twice . . .

### Before Taking A Refund!

**Y**ou may receive a refund of your accumulated employee contributions in your retirement account when you terminate employment. **If you are vested**, you may have more to gain by leaving your contributions in the system to take advantage of valuable retirement benefits. As a vested member,

- ⇒ you will be entitled to monthly retirement benefits for the rest of your life when you reach the minimum age and/or service requirement,
- ⇒ your account will continue to earn interest each month,
- ⇒ you may buy any service for which you are eligible, and
- ⇒ your named beneficiary(ies) will be entitled to death benefits under limited circumstances.

The tax-deferred portion of a retirement lump-sum refund is subject to state and federal taxes. The MPERA will withhold 20% for tax purposes if we send the refund directly to you. The IRS may assess a 10% penalty for early withdrawal. You can avoid the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. This also allows you to avoid any penalty.

**Remember, when you receive a refund, you forfeit your rights to all retirement benefits.**

## Note . . .

**Non-vested members are required to receive a refund upon termination of employment.**

If you are not a vested member (less than five years of membership service) at the time you **terminate service** and you have less than \$5,000 in your account, you must apply to receive a refund of your accumulated contributions. You may receive a lump-sum refund or apply to have your eligible contributions rolled over to a qualified retirement plan. There are some exceptions to this. For example, when changing to a job covered by the same retirement system, you are not eligible to receive a refund since you will remain an active member. If you have questions or need a refund application within three months of your termination of employment, contact your payroll clerk. Contact the MPERA to receive a refund application when you have been terminated for more than three months.

## Designating Beneficiaries

### Is your membership card current?



**Y**ou must complete a membership card when you begin a new job covered by one of the retirement systems administered by the MPERA. Naming your beneficiaries on the card is very important. If you die as an active or inactive member, a named beneficiary may receive a death benefit. Any person, charitable organization, or trust, may be designated as a beneficiary. You can select one or more primary and contingent beneficiary(ies). Contingent beneficiaries will receive something only if no living primary beneficiary exists.

Be sure to update your designated beneficiaries as your personal circumstances change. Some of the circumstances which may require a change in listed beneficiaries would be the death of a named beneficiary, a change in your marital status, etc. Whenever you wish, you may name new beneficiaries.

You may only change your beneficiaries by completing and filing a new membership card. Request a membership card from your payroll clerk or contact the MPERA if you are an inactive member.

**Advise your beneficiary, in the event of your death, to contact the MPERA for complete details about benefits.**





## A Retirement Checklist

If you are planning to retire, or perhaps just seriously thinking about retirement, we suggest you begin planning early to avoid unnecessary delays in your retirement benefit payment. Here is a checklist with some of the things you need to do if you are retiring in the next six months.

1. Write to, or make an appointment to visit, the MPERA office approximately three to six months before your anticipated retirement date.
2. You and your beneficiary must decide which option is right for you. (For systems which provide for options.) Your member handbook has information on the options available for your retirement system.
3. File the required application form with MPERA at least 90 days before your last day of work. Your spouse's signature is required if you are married.
4. Verify your age by including a copy of your Certificate of Birth with your application form. If you name a contingent annuitant under one of the options, that person must also verify their age. (The contingent annuitant's verification should accompany your application or you should attach a cover letter to identify which application it pertains to.)
5. If you desire to have your monthly benefit directly deposited or taxes withheld, contact the MPERA for the necessary forms.
6. Talk to your payroll clerk if you want to continue health insurance coverage. Your payroll clerk can provide you with the forms to complete to have this payment deducted from your benefit payment.
7. We recommend you attend a pre-retirement planning seminar. The MPERA and the Professional Development Center (PDC) offer pre-retirement planning seminars several times a year. These seminars are intended for anyone within five years of retirement. Topics include the physical, mental, and financial aspects of retirement. These two-day seminars begin each day at 9:00 a.m. and end about 4:30 p.m. Cost is normally \$85 for members of the retirement systems. Spouses are urged to attend with the member at no charge. The next Pre-Retirement Planning Seminars are planned for Helena, August 23-24 and Great Falls, November 15-16. Contact the PDC at 406-444-3985 to register or for more information.

**Continue to keep the MPERA informed of any changes in your permanent or temporary address once you are retired.** Checks we issue are automatically returned to us if the address is incorrect. They are not forwarded by the post office. We also need your current address to send you other information such as your Distributions Form 1099R and newsletters. Changes can only be made when requested **in writing**.

## Release of Information

**M**ost information about your retirement account and benefit information is confidential. It may be released only to you or another authorized person.

The MPERA receives many requests for information from banks, accountants, attorneys, spouses, and other interested parties. Most requests are made on behalf of the member. We are prohibited by law from releasing any confidential information unless the member consents in writing; or we are otherwise required by statute to release the information.

Information may be released:

- directly to you; or
- to another person designated by you in a written release.

***When writing to the MPERA, don't forget to . . .***

- ⇒ print your full name and address on your letter;
- ⇒ include your social security number and your daytime telephone number; and
- ⇒ sign any request for retirement and benefit information.

To receive the MPERA newsletters, statements, checks, and other important information, notify our office promptly when your mailing address changes.

